

February 2003

Household International, Inc. Settlement

This is an update of issues surrounding the Consent Judgment regarding Household International, Inc., the parent company of Household Finance and Beneficial, which was filed in court in Washington State on Dec. 13, 2002.

This landmark consumer settlement provides for payment of \$484 million nationally -- \$21.15 million in Washington--for consumer restitution to some Household and Beneficial borrowers harmed by the companies' lending practices. The settlement also retroactively eliminates prepayment penalties on real estate secured loans after twenty-four months (two years, down from five years). It also requires Household to make numerous and substantial changes in its lending practices. Washington was one of seven states that led the settlement negotiations. All 50 states and the District of Columbia have joined in the settlement and have now filed Consent Judgments in their respective state courts.

Under the Consent Judgment, Household was to deposit one-third of the \$484 million for consumer restitution within 30 days of the filing in court and a second by Feb. 17. By March 17, 2003, Household is required to have all restitution monies deposited.

While we're awaiting the deposit of the remaining restitution monies, the states are in the process of obtaining information from Household on the real estate secured loans and borrowers affected by the settlement. The states hope to do most of the analysis of the information so that the claims process can be streamlined and that additional information needed from borrowers can be minimized. The states are also working on selecting a Settlement Administrator, who will be responsible for identifying and notifying eligible borrowers. The Settlement Administrator will be responsible for disbursing the restitution monies to qualified Household and Beneficial borrowers who file a claim.

Eligible borrowers are those Household and Beneficial customers who took out real estate secured loans at Household's or Beneficial's retail lending branches during the period between Jan. 1, 1999 and Sept. 30, 2002. The Settlement Administrator is expected to send out notices to eligible borrowers soon after Household pays the final restitution installment in March. We estimate that about 11,000 Washington customers borrowed money from Household and Beneficial during this time period.

We expect that the options available to eligible borrowers will be laid out for consumers in the notices to be sent out, including an option that allows the consumer to choose not to be included in the settlement with the states and instead to be part of a private lawsuit, including the class action lawsuit currently underway in U.S. District Court in Seattle.

We anticipate that the notice will also explain the forms to be filled out and the releases to be signed in order to receive restitution from the state settlement.

Restitution to Household and Beneficial borrowers in Washington will be based upon a formula that takes into account the various forms of injury suffered by borrowers as a result of Household's lending and marketing practices. These include misrepresentation of loan interest rates, excessive discount points and loan origination fees, credit insurance packing and making loans that were unsuitable to the borrower's situation. The amount of restitution to any particular borrower will depend upon the number of eligible consumers who file claims and the severity of their injuries.

If you are an eligible borrower, you will receive a notice and claim form directly from the Settlement Administrator. If you have changed your mailing address or if you do not receive a notice by April 15, you should contact the Attorney General's Consumer Protection Division at 1-800-551-4636 or the Department of Financial Institutions at 1-800-450-1003 or the Insurance Commissioner's Consumer Hotline at 1-800-562-6900.

Meanwhile, if you are currently in default on your loan or experiencing problems with your loan, or if you have questions about your rights and obligations under your Household or Beneficial loan agreement you should contact an attorney, credit counselor or certified housing counselor immediately.

Sincerely,

Christine O. Gregoire,
Attorney General